

Message Text

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46

ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 SSO-00 NSCE-00 USIE-00 INRE-00

SP-02 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 COME-00 SSM-03 SAM-01 FRB-03

CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 PA-01

PRS-01 /077 W

----- 091822

O R 231415Z AUG 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 6310

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

C O N F I D E N T I A L CAIRO 11298

E.O. 11652: GDS

TAGS: PFOR EAID EFIN EG XE

SUBJ: GODE ASSISTANCE TO EGYPT -- LOAN GUARANTEE TO FINANCE 1976

BOP DEFICIT

REF: CAIRO 11243

1. AGREEMENT BETWEEN EGYPT AND GULF ORGANIZATION FOR EGYPTIAN DEVELOPMENT (GODE) SIGNED AS PLANNED AUGUST 21, 1976. DETAILS OF AGREEMENT BEING REPORTED SEPTEL.

2. IN CONVERSATION WITH EMBOFF AUGUST 23, MINISTRY OF FINANCE REP DIRECTLY INVOLVED IN GODE NEGOTIATIONS DISCLOSED THAT EGYPTIAN MINISTER OF FINANCE ABU ISMAIL HAD OBTAINED AGREEMENT THAT GODE PARTICIPANTS WILL, THROUGH LOAN GUARANTEE, HELP FINANCE 1976 EGYPTIAN BALANCE OF PAYMENT'S DEFICIT (ESTIMATED BY LATEST GOE FIGURES AT ABOUT \$1.2 BILLION.) ACCORDING SOURCE, THIS LOAN GUARANTEE WILL NOT DIMINISH AVAILABILITY OF
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INITIAL TWO BILLION DOLLAR GODE CAPITALIZATION, BUT WILL

REPRESENT ADDITIONAL COMMITMENT. MINFIN REP SAID THAT ABU ISMAIL CURRENTLY CONSULTING WITH CABINET OVER HOW SUCH LOAN TO BE ARRANGED. IN RESPONSE TO EMBOFF'S QUERY IF LOAN SOURCE WOULD BE COMMERCIAL OR OFFICIAL, MINFIN REP SAID THAT OFFICIAL (GOVERNMENT TO GOVERNMENT) LOAN BEING CONSIDERED BECAUSE OF LOWER INTEREST RATES OBTAINABLE. MINFIN REP ALSO SAID LOAN REQUEST FROM USG FOR ENTIRE AMOUNT IS BEING DISCUSSED, BUT EMPHASIZED NO REPEAT NO DECISION HAS BEEN REACHED.

3. COMMENT. IF ABOVE INFORMATION IS CORRECT, EGYPTIANS MAY HAVE BEGINNINGS OF SOLUTION TO IMMEDIATE PROBLEM OF NECESSARY CASH FLOW FOR REMAINDER OF 1976. THIS MAY HAVE BEEN RESULT OF SADAT'S STOPOVER IN SAUDI ARABIA , SINCE EARLIER REPORTS WERE CLEAR THAR ARABS WERE NOT WILLING TO UNDERTAKE LOAN GUARANTEE.

4. REGARDING IDEA OF LOAN FROM U.S., THIS HAS SURFACED AT LOW LEVELS ON OTHER OCCASIONS AND HAS BEEN DISCOURAGED EACH TIME. WE WOULD NOT BE SURPRISED, HOWEVER, IF IT HAS BEEN REVISED IN LIGHT OF POSSIBLE GODE GURANTEE ARRANGEMENTS. AMBASSADOR WILL BE SEEING ABU ISMAIL IN NEAR FUTURE, AND MAY HAVE AN OPPORTUNITY TO EXPLORE GOE THINKING. HOWEVER, AMBASSADOR HAS NO RPT NO INTENTION OF RAISING THIS POSSIBILITY.
EILTS

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